



14th Annual International Colloquium
On Financial Management
For National Governments
French Presentation

The New Organic Law related to Budget Procedure

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Law of august 1st 2001, unanimously voted by the two chambers of Parliament, a proposal originated in the financial commission of the National Assembly

Two goals :

I. Reforming public and financial management with :

☒ Accountability for public expenditure efficiency

☒ More responsibility for public managers

II. Improving financial transparency and increasing the power of Parliament

I. Reforming public management

- ➡ Moving from means-based budgeting to result oriented budgeting
(appropriation specialization and vote)
- ➡ Increasing responsibility for public managers
 - Greater financial autonomy : block budgeting by programs and non specialized appropriations
 - Accountability for performance

What is a program ?

- ➡ Ministry appropriations
- ➡ One of several ministerial policies
- ➡ Precise goals measured by indicators
- ➡ Efficiency goals : outcome/efficiency/quality

(Ministerial programs could be unified in interministerial missions ; for example : security)

Inside a program

Block budgeting («Fungible appropriations»)

- ➡ Large room for maneuver to allocate appropriations between different types of expenditures.
- ➡ Appropriations presented by type (non compulsory) : personnel, current expenditures, investment, subsidies.
- ➡ Possibility of multiyear allocations

One exception : civil service expenditures

- ➡ Specific appropriations for civil service expenditures.
- ➡ Legal ban on increasing civil service expenditures originated from other types of expenditures
- ➡ Current expenditures, subsidies and investment may be used without conditions.
- ➡ Ceiling on the number of civil servants by minister.

Accountability

Control of performance

- ➡ **In the budget act** : by program. A «performance project», presentation of policies, costs, aims and the targets of performance indicators.
 - ➡ **In the budget review act** : «A performance report» i.e. : comparing the results of its policies to the targets.
- New rule : no discussion of the budget law without previous vote of the last budget review act.

II. Improving financial transparency

1. Improving financial information
2. Increasing the role of budget law
3. Increasing power of Parliament

1. Improving financial informations

- ➡ Multiyear public finance planning (Central government, local authorities and social security) included in budget law as a report (closed to the European stability and growth program).
- ➡ Budget guideline debate in Parliament (4 months before the presentation of the budget). Main options of fiscal policy.
- ➡ Report on all compulsory levies and floor debate before the presentation of the budget law and social security financing law

Other items of information

- ➡ Obligatory delay time for questions raised by the members of Parliament.
- ➡ Comparative presentation of the proposed budget with the previous budget using the same criteria (real increase).
- ➡ Financial evaluation of each measure voted in the budget law.
- ➡ Producing the balance sheet and the off balance sheet in the budget review act.

2. Increasing the role of budget law

- ➡ Evaluation of treasury expenditures and resources.
- ➡ Vote of a ceiling for borrowing (normal debt).
- ➡ Vote of authorization of guarantees.
- ➡ Financial evaluation in the budget law of cost-sharing contributions.

3. Increasing power of Parliament

➡ Restriction on decisions of the government related to appropriations :

- ➡ no more than 1,5 % of allocations may be cancelled during the year
- ➡ only 1 % of new credits may be authorized by the government, subjected to the experted advice of the financial commission
- ➡ limitation of credit transferts (2 % between various programs)
- ➡ ceiling on 3 % for carried over appropriations

Appropriations accounts are accepted but limited

- ☞ Necessity of a link between ressources and expenditures of these accounts.
- ☞ Three accounts are compulsory :
 - assets
 - retirement of civil servants (new)
 - public debt (new) : to improve active management

Towards accrual basis accounting

Goals :

- . Giving more information to Parliament
- . Giving more responsibility to managers

Current situation :

- . Cash basis budgeting and cash basis accounting
- . More information on accrual accounting

Towards accrual basis accounting

New law :

- . Cash basis budgeting : the budget law is a political and yearly authorization of expenditure ceiling and resource levels.
- . Both cash basis accounting and accrual basis accounting.
 - i.e. : complete description of assets and liabilities and total costs
 - + financial statement included in the budget review act
 - + audit of accounts by the French government auditing board

Implementation

2002 : Measures regarding transparency rules
Measures regarding new credits and cancelled credits

2005 : Preparation of 2006 budget law (new programs, new budgeting system)
Audit of 2005 accounts.



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